

Syllabus

IN THE MATTER OF
STANDARD DISTRIBUTORS, INC. ET AL.COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION
OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914*Docket 5580. Complaint, Aug. 30, 1948—Decision, June 13, 1952*

As respects the offer and sale by a seller of its product through salesmen who made oral representations in conflict with those in the contract to purchasers who frequently did not read it and whose intelligent reading thereof, at least on occasion, was hindered by the salesmen: the Commission is of the opinion that if misrepresentations are made by a seller, he must himself remove their effect, and he may not assume to place upon the buyer the obligation of discovering them, even though he furnished the buyer with something from which such misrepresentations could be discovered.

Those who sell in interstate commerce by oral persuasion of their agents have an unavoidable obligation to see that such agents do not deceive the public, and an employer's unsuccessful attempt to meet the obligation does not absolve him from violation of the statutory prohibition against the use of unfair and deceptive acts and practices in commerce, or immunize him against corrective action by the Commission, his amenability thereto being determined by what the agents actually do and not necessarily by what he wants them to do.

Where a corporation and its president, engaged in the interstate sale and distribution of the "New Standard Encyclopedia" and the "Quarterly Loose Leaf Extension Service Supplement"; by means of its book agents, in a substantial number of instances—

- (a) Represented falsely that said New Standard Encyclopedia was an entirely new encyclopedia not yet on the market; when in fact it had been republished yearly and sold for several decades;
- (b) Represented falsely that the person approached had been selected to receive a ten volume set of the encyclopedia free, or at a nominal price, before it was offered to the public, on the sole condition that within a specified time after receiving the set, he would furnish the corporation with a letter of recommendation or his opinion thereof; and
- (c) Represented falsely that in order to receive the encyclopedia free, the prospect would have to purchase the supplement for ten years at a price varying with the binding, and that he was buying and paying only for the supplement;

The facts being that prospects received nothing free but paid for everything secured, including the encyclopedia and all the books enumerated in the purchase contract; and while said oral representations were in conflict with the terms of the contract, said purchasers frequently did not read the contract and intelligent reading thereof was, on occasion, hindered by the salesman;

- (d) Represented that the encyclopedia was composed of paper, printed illustrations and binding the same as or equal to that of the prospectus exhibited; when in a number of instances, purchasers received encyclopedias, the paper, printing and bindings of which were inferior to those in the prospectus; and

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- (e) Represented that the regular price of the encyclopedia and supplement for ten years, when offered for sale to the public, would be \$100 or some other price far above that at which it was offered to the prospect; the facts being the price for the combination offer varied from \$39.50 to \$79.50, and at no time reached or exceeded \$100.

With capacity and tendency to mislead and deceive members of the public into the erroneous belief that said representations were true, and into the purchase of a substantial number of said books by reason thereof:

Held, That such acts and practices, under the circumstances set forth, were all to the prejudice and injury of the public, and constituted unfair and deceptive acts and practices in commerce.

As respects respondents' efforts to prevent their salemen from making the misrepresentations which they were found to have made in the instant matter, including investigation of each salesman when employed, training and instructions by respondents' sales supervisors, the signing by the salesman of a pledge that he would not, under penalty of discharge, make such misrepresentations as are herein involved, the sending out of printed instruction to its salesmen each year to the same effect, and other steps: while there was nothing in the record to indicate that respondents' efforts were not earnest and honest, it did appear that the public had not been fully protected, and consequently that respondents' obligation to see that their agents did not deceive the public, had not been met.

As respects certain other issues which concerned representations relative to the conducting of an education survey, the sale of an educational plan, the "acceptance" or "selection" of prospective purchasers upon a basis of prominence or influence, the up-to-dateness of the New Standard Encyclopedia, its equality and comparability to the best reference works and its endorsement or approval by a Board of Education, the book agents not being salesmen, the offer being open only for a limited time and to a limited number of people in the particular community, and also the alleged failure to reveal certain delivery charges in addition to the contract price:

The Commission considered said issues and concluded that the allegations concerning them had not been approved.

Before *Mr. Frank Hier*, hearing examiner.

Mr. John M. Russell and *Mr. William L. Pencke* for the Commission.

Mr. Henry Ward Beer, of New York City, and *Anderson & Roche*, of Chicago, Ill., for respondents.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission having reason to believe that Standard Distributors, Inc., a corporation, LeRoy S. Bimstein, David Tuttle, and A. J. Noreus, individually and as officers of Standard Distributors, Inc., a corporation hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest

hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Standard Distributors, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois and respondents LeRoy S. Bimstein, David Tuttle and A. J. Noreus, individuals, are President, Vice President, and Secretary and Treasurer respectively thereof. The individual respondents have dominant control of the advertising policies and business activities of said corporate respondent and all of said respondents have cooperated with each other and have acted in concert in doing the acts and things hereinafter alleged. Respondents' principal office and place of business is at 188 West Randolph Street, Chicago, Illinois.

PAR. 2. Respondents are now and have been for more than seven years last past engaged in the sale and distribution in a combination offer, of 10 volume sets of the New Standard Encyclopedia, the Quarterly Loose Leaf Extension Service supplements thereto published under the name of World Progress and also of Webster's Unabridged Dictionary, Young Folks Library, History of the World, and other books. Respondents cause said Encyclopedia, Supplements, and other books, when sold, to be shipped from the place where the former are printed, in Columbia, Missouri, or respondent's aforesaid place of business, to the purchasers thereof at their respective residences located in States other than those from which such shipments are made and in the District of Columbia.

There is now and has been at all times mentioned herein a constant course of trade in said books sold by respondents between and among the various States of the United States and in the District of Columbia. Respondents' volume of business in said books in commerce is and has been substantial.

PAR. 3. In the course and conduct of respondents' business in connection with the sale and distribution of the said Encyclopedia, supplement and other books, and as an inducement for the purchase thereof by members of the public, the respondents, ever since about 1940 have been using a plan or scheme for selling same substantially as follows:

Respondents' agents contact business men or heads of families, stating and representing that, preliminary to instituting a campaign for the sale of the New Standard Encyclopedia, an entirely new and up-to-date Encyclopedia not yet on the market, they are conducting an educational research or survey or that they are promoting an educational plan, under the direction or with the approval of some Board of Education and that the New Standard Encyclopedia and quarterly

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Loose Leaf Extension Service Supplement thereto have been endorsed or approved thereby; that they are contacting prominent and influential persons in their city or community from whom the Standard Distributors, Inc., or the Standard Education Society will "select" or "accept" a certain number to be given ten volume sets of the new encyclopedia free or at a nominal price before it is offered for sale to the public; that this is being done solely to promote the sale of the encyclopedia without incurring the expense of a national advertising campaign.

These agents of the respondents secure information from the persons contacted with reference to the number of children in the family in school and as to whether there is an encyclopedia or other reference book in the home, for the purpose of finding out if they are likely prospects for the purchase of respondent's Encyclopedia and Extension Service Supplement. This information is recorded on cards on which the agent usually gets the prospect's signature by stating, that the card will be turned in to his company and if prospect signs it, he may be one of those "selected" or "accepted" to receive a set of the Encyclopedia free.

About ten days thereafter another of the respondents' agents calls on the prospect, exhibits the card prospect has signed and informs him that he has been "selected" or "accepted" as one of the few outstanding persons in his city or community to whom the agent's company has decided to give a set of the New Standard Encyclopedia free; that the only condition is that the prospect will within sixty days or some other specified time after he receives the set, furnish corporate respondent with a letter of recommendation or the prospect's opinion thereof. It is further explained that the agent is not a salesman but that to comply with legal requirements or governmental regulations in order to make the gift binding the company will have to charge prospect \$1.00 for the Encyclopedia. If the prospect agrees the agent then states that because the Encyclopedia will be an exhibit set, subject to inspection by the prospect's friends and neighbors, the company wants it kept up-to-date; the agent then informs the prospect that in order for him to secure the set of New Standard Encyclopedia free, it will be necessary, for him to purchase, the Quarterly Loose Leaf Extension Service Supplement thereto at only \$3.95 to \$8.95 per year, depending on the type of binding, to keep it up-to-date for ten years.

The agent usually has with him what purports to be sample pages of the Encyclopedia and Supplement, including illustrations and pictures with superior printing on excellent paper, which he exhibits

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to the prospect. He also usually has and similarly exhibits to prospect a folder showing the size of the books and the different types of bindings supposed to be available. The agent represents that they will be delivered to the prospect composed of paper, pictures, printing and binding the same as or equal to said sample pages and folder. That the New Standard Encyclopedia and quarterly Loose Leaf Extension Service Supplement comprise an up-to-date set of reference books equal to and in every way comparable to the best reference books available. That the said offer is open for only a limited time and to only a certain few selected persons in any given community. That the purchaser is only buying or paying for the Loose Leaf Extension Service Supplement. That no further charge beyond said \$39.50 to \$89.50 will be made to prospect for said Encyclopedia, Loose Leaf Extension Service Supplement and other book or books or for the mailing or delivery thereof, to the purchaser, by failing to state otherwise. That the regular price of the New Standard Encyclopedia and Supplement thereto for ten years, when they are offered for sale to the public, will be \$100.00 or some other price far above the price at which they are being offered to the prospect.

In closing the contract, the agent usually offers to make another alleged "gift" of one or more extra books if the prospect will agree to pay, within a few months said \$39.50 or other specified amount. If prospect does not so agree, thereafter corporate respondent offers other so-called "gifts" to the subscriber if he or she will pay the amount designated in the contract at some early date before it is due pursuant thereto.

PAR. 4. The statements and representations used and disseminated by the respondents in the manner above described are false, deceptive and misleading. In truth and in fact the New Standard Encyclopedia is not a new or up-to-date encyclopedia, but has been previously published and sold to the public for a number of years. Respondents or their agents are not conducting any educational research or survey, or promoting any educational plan. They are not acting under the direction or with the approval of any Board of Education, and neither the New Standard Encyclopedia nor said Quarterly Loose Leaf Extension Service Supplement has been endorsed or approved thereby. Their said agents are salesmen and they do not give or sell a set of the New Standard Encyclopedia free or at a nominal or reduced price or for any letter of recommendation or prospect's opinion thereof, but sell it to prospect at the regular price they charge therefor, to anyone they can induce to buy same. The price of the encyclopedia and of the other books and gifts alleged to be offered to prospect free are

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included in the purported charge for the Loose Leaf Extension Service Supplement for ten years, or in said charge therefor, plus the alleged charge of \$1.00 for the Encyclopedia. There is no legal requirement making it necessary for corporate respondent to charge anything or impose any condition in order for it to give the New Standard Encyclopedia or any book or books to prospect or anyone. The paper, printing and bindings of which said New Standard Encyclopedia is composed are not the same as or equal, but inferior in quality, to the paper, printing and bindings in the samples or specimens, shown to prospect. The pictures therein, if any, are not the same as or equal to or as many as those in said samples or specimens. The New Standard Encyclopedia does not comprise a set of reference books equal or comparable to the best reference books available, but is an inferior reference work. The said offer is not open for only a limited time or to only a certain number of persons in any given community but to any persons, anywhere whom they can induce to accept same and pay said regular prices therefor. The purchaser is not only buying or paying for the Loose Leaf Extension Service Supplement, but for the encyclopedia supplement and other book or books in said combination offer at the regular price respondents charge therefor. The \$39.50 to \$89.50 is not the only charge respondents make for said combination offer, but there is an extra charge of \$1.00 per year for ten years for mailing said Quarterly Loose Leaf Extension Service Supplement to the purchasers or for some other alleged reason, which charge, they fail to disclose to prospect until after he or she has signed the contract.

PAR. 5. Respondents also make said false and misleading representations or some of them in service guarantee certificates circulars, brochures, contract forms, form letters and testimonials usually contained in the sales kits of their said agents.

PAR. 6. The use by the respondents of the foregoing false, deceptive and misleading statements and representations disseminated as aforesaid has had, and now has, the capacity and tendency to, and does, mislead and deceive a substantial portion of the purchasing public into the erroneous and mistaken belief that all such statements and representations are true and induces a substantial portion of the purchasing public to purchase said New Standard Encyclopedia and supplements because of such erroneous and mistaken belief.

PAR. 7. The aforesaid acts and practices of the respondents as herein alleged are all to the prejudice and injury of the public and constitute unfair and deceptive acts and practices in commerce, within the intent and meaning of the Federal Trade Commission Act.

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of the Federal Trade Commission Act, the Federal Trade Commission, on August 30, 1948, issued and thereafter caused to be served upon the respondents named in the caption hereof, other than David Tuttle, its complaint in this proceeding, charging said respondents with the use of unfair and deceptive acts and practices in commerce in violation of the provisions of said Act. After the issuance of said complaint and the filing by respondents, other than David Tuttle, of their answer thereto, testimony and other evidence in support of and in opposition to the complaint were introduced before a hearing examiner of the Commission theretofore duly designated by it, and said testimony and other evidence were duly recorded and filed in the office of the Commission. Thereafter, the proceeding regularly came on for final hearing before the Commission upon said complaint, the respondents' answer thereto, the testimony and other evidence, the hearing examiner's recommended decision and certain exceptions thereto, the respondents' exceptions to certain rulings of the hearing examiner, briefs in support of and in opposition to the complaint and oral arguments of counsel; and the Commission, having issued its orders disposing of the exceptions to the recommended decision and to the rulings of the hearing examiner and being now fully advised in the premises, finds that this proceeding is in the interest of the public and makes this its findings as to the facts and its conclusion drawn therefrom.

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent, Standard Distributors, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois, with its principal office and place of business at 188 West Randolph Street, Chicago, Illinois. This respondent is sometimes hereinafter referred to as "corporate respondent."

PAR. 2. Respondent, LeRoy S. Bimstein, is president of respondent Standard Distributors, Inc., and as such has directed its advertising policies and business activities. Respondent, A. J. Noreus, is secretary and treasurer of respondent Standard Distributors, Inc., but there is no substantial evidence that this individual took an active or controlling part in the acts or practices herein found.

PAR. 3. Respondent, David Tuttle, formerly was vice-president of the corporate respondent, but has not been an officer of respondent corporation for more than three years last past. Service upon him as provided by law of notice of these proceedings and a copy of the

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complaint herein was never accomplished. There is no evidence in the record showing that this respondent had any connection with or responsibility for any of the acts or practices attacked or involved in this proceeding.

PAR. 4. Respondent, Standard Distributors, Inc., through its officers, agents and employees, for more than seven years last past has been engaged in the sale and distribution of books, including ten volume sets of the New Standard Encyclopedia (hereinafter referred to as the encyclopedia), the Quarterly Loose Leaf Extension Service Supplement (hereinafter referred to as the supplement) under the name of World Progress, Young Folks Library and Webster's Unabridged Dictionary. Said books, when sold, are shipped from the place of publication or printing, which is Columbia, Missouri, in the case of the encyclopedia and supplement, or from respondent corporation's place of business in Chicago, Illinois, to purchasers thereof at their respective residences, located in States other than the States from which such shipments are made and in the District of Columbia. For a number of years there has been a constant course of trade and commerce in said books sold by Standard Distributors, Inc., between and among the various States of the United States and in the District of Columbia in substantial volume.

PAR. 5. New Standard Encyclopedia and its supplement are compiled, edited and published by Standard Education Society, of 130 North Wells Street, Chicago, Illinois. The encyclopedia is republished each year. The supplement is published quarterly each year. Standard Education Society sells the encyclopedia to fifteen distributors throughout the United States, of which respondent Standard Distributors, Inc. is one, for consumer resale. The former contracts with corporate respondent to supply the supplement for ten years to each purchaser to whom Standard Distributors, Inc., sells a set of the encyclopedia. Standard Education Society does not own any part of respondent Standard Distributors, Inc., or any of its other distributors.

PAR. 6. For the purpose of inducing sales, corporate respondent's book agents, over a substantial period of time, over a representative area, and in a substantial number of instances, have represented that:

a. The New Standard Encyclopedia is an entirely new encyclopedia not yet on the market, a brand new piece of merchandise, a new project, not presented to the public before.

b. The person approached has been selected to receive a ten volume set of the encyclopedia free, or at a nominal price, before it is offered for sale to the public on the sole condition that within a specified time

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after receiving the set, he will furnish corporate respondent with a letter of recommendation or the prospect's opinion thereof.

c. In order to receive the encyclopedia free, the prospect will have to purchase the supplement thereto for ten years at a price varying with the binding, and that the purchaser is buying and paying only for the supplement.

d. The encyclopedia is composed of paper, printing, illustrations and binding the same as or equal to that of the illustrative prospectus exhibited to the prospect.

e. The regular price of the New Standard Encyclopedia and supplement for ten years, when offered for sale to the public, will be \$100 or some other price far above that at which it is offered to the prospect.

PAR. 7. The said representations were either false or misleading and deceptive, or both, wholly or in part. In truth and in fact:

a. The New Standard Encyclopedia has been republished yearly and sold for several decades, and the encyclopedia concerning which the representations referred to herein were made was not a new encyclopedia.

b. Corporate respondent does not give free, or at a nominal price, the encyclopedia or any other book on the sole condition that the prospect will furnish it a letter of recommendation or of opinion thereof. No prospect or purchaser receives anything free from the corporate respondent—if he buys anything, he pays for everything he gets.

c. No purchaser from corporate respondent secures the encyclopedia free by buying the supplement, or otherwise, but each purchaser buys and pays for all of the books enumerated in the purchase contract, including the encyclopedia.

d. In a number of instances, purchasers received encyclopedias, the paper, printing and bindings of which were inferior to those shown in the illustrative prospectus which was exhibited to them.

e. Corporate respondent's price for its combination offer of books has varied from 1942 to 1946 from \$39.50 to \$79.50. At no time has it reached or exceeded \$100.00. During those years it has been offered to the public at the current prices as indicated above.

PAR. 8. Respondent corporation's contract which each purchaser must sign reads on the front as follows:

STANDARD DISTRIBUTORS, INC.
188 West Randolph Street
Chicago 1, Ill.
Distributors of
NEW STANDARD ENCYCLOPEDIA
And
Quarterly Loose-Leaf Extension Service

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Please enter my order for the following, and ship charges collect:

- | | | |
|--|---|-------|
| (1) The NEW STANDARD ENCYCLOPEDIA, Pictorial Edition, | } | 59.50 |
| in ten volumes, medallion artwork binding----- | | |
| (2) The QUARTERLY LOOSE LEAF EXTENSION SERVICE, | | |
| fully indexed and illustrated, for a period of 10 years, | | |
| including annual loose leaf binders to match----- | | |
| (3) ----- | | |
| To be delivered upon receipt of final payment. | | |

For this entire combination, I promise to pay as follows: \$----- herewith, \$-----, plus postage, on delivery of the Encyclopedia, and \$----- each month thereafter until the total amount of \$59.50 is paid. No further charge will be made except \$1.00 each year for delivery of the Quarterly Extension Service and Binder.

*It is understood that nothing in this offer is free and that the price of the Encyclopedia is included in the above total. The agreement is unconditional, not subject to cancellation, and will not be affected by any agreement not endorsed hereon.

READ CAREFULLY BEFORE SIGNING. KEEP A COPY

Name -----

Resident Address -----

Business Position -----

Name of Firm -----

Business Address -----

And on the back as follows:

This memorandum must be filled out and signed by representative

Subscriber's Name -----

(Print name and prefix Mr., Mrs., Miss or correct title)

Ship books to: -----

Send Mail to: Business Address ☐ Residence Address ☐

Special Remarks:

Credit Ref.

Name -----

Address -----

Personal Ref.

Name -----

Address -----

I hereby certify, that this contract and the information appended contains all of the arrangements made with the subscriber. Nothing has been done or said that violates any Governmental Regulation or any of your instructions to me. The subscriber understands that nothing in this offer is free and that the price of the Encyclopedia is included. No attempt has been made to allocate how much is for the Encyclopedia alone or any other one item, the various items being all grouped together at the total combination price. I believe this subscriber's qualifications to be acceptable in accordance with your standards, but no claim has been made regarding the number of sets expected to be placed in any given

*This sentence is in heavy type.

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area, and nothing has been misrepresented in any way. I have left the subscriber an exact duplicate of this agreement, and the signature is genuine.

Check ☐

Currency ☐ for the first payment of \$----- is hereby acknowledged.

Representative.

Standard Distributors, Inc. guarantees its publication to be equal in every respect to samples shown; hence no representative is authorized to take orders subject to approval.

The purchaser signs the front; the salesman, the back.

PAR. 9. In connection with the representations set forth in Paragraph Six b. and c., the effect of the corporate respondent's form of contract is to be considered. It is apparent that one who reads the contract would either be aware that all the books were to be paid for in cash or be confused by the conflict between the terms of the contract and the oral representations that the ten volume set was free or was given in return for a letter of recommendation or opinion. Thus, it is unlikely that any individual who actually read the contract executed it affirmatively believing that the oral representations were true. The evidence is, however, and the Commission finds, that purchasers frequently did not read the contract and that at least on occasion an intelligent reading of it was hindered by the respondents' salesman. In that situation the likely effect of the oral misrepresentations is obvious. The Commission is of the opinion that if misrepresentations are made by a seller, he must himself remove their effect, and he may not assume to place upon the buyer the obligation of discovering them, even though he furnishes the buyer with something from which they could be discovered.

PAR. 10. Each salesman, when employed, is investigated by corporate respondent, is trained by respondents' sales supervisors by instruction and demonstration and by being taken by the supervisor into prospects' homes where the supervisor attempts to sell the books. Each salesman is required to sign a pledge that he will not, under penalty of discharge for violation, represent:

- a. That the encyclopedia or other books are free.
- b. That the customer is paying only for the revision (supplement) or other services.
- c. That the offer is open only to a certain specified number of people in any given area or community.
- d. That only a certain few are chosen or selected to receive the offer.
- e. That the regular or usual price of the books or combination of books and services is greater than the prices at which they are being sold when such is not the fact.

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f. That the encyclopedia or other publication is an entirely new work.

In addition, corporate respondent several times each year sends out printed instructions to its salesmen to the same effect. Each salesman, in addition, is instructed to hand to a prospect a copy of corporate respondent's contract, to read it over to the prospect or have him read it over, and to answer any questions with reference thereto before it is signed by the prospective purchaser. In addition to a fixed commission salesmen receive \$4.00 as a bonus for each sale of the encyclopedia and supplement service fully paid for, but are penalized that bonus and the bonus on two other paid-up sales for each sale which is cancelled. On the average, one sale is made out of every three attempts.

PAR. 11. There is nothing in the record to indicate that respondents' efforts to prevent their salesmen from making the misrepresentations which they are found to have made were not earnest and honest. The record does show, however, that the public has not been fully protected. Those who sell in interstate commerce by oral persuasion of their agents have the obligation to see that such agents do not deceive the public. This obligation is one which cannot be avoided or evaded, and an unsuccessful attempt to meet it by the employer does not absolve him from violation of the statutory prohibition against the use of unfair and deceptive practices in commerce or immunize him against corrective action by the Commission. His amenability to action by the Commission is determined by what the agents actually do and not necessarily by what he wants them to do.

PAR. 12. The foregoing statements and representations used by respondents, other than Noreus and Tuttle, in connection with the offering for sale, sale and distribution of their books, have had the capacity and tendency to mislead and deceive members of the public into the erroneous and mistaken belief that said statements and representations were true, and into the purchase of a substantial number of said books by reason of such erroneous and mistaken belief.

CONCLUSION

The acts and practices of respondents, other than Noreus and Tuttle, as hereinabove found, were all to the prejudice and injury of the public, and constituted unfair and deceptive acts and practices in commerce within the intent and meaning of the Federal Trade Commission Act.

The Commission has considered the other issues presented by the pleadings, and the evidence and record with respect thereto, and has concluded that the allegations concerning these issues have not been proved.

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These issues concerned representations relative to: the conducting of an educational survey; the sale of an educational plan; the "acceptance" or "selection" of prospective purchasers upon a basis of prominence or influence; the up-to-dateness of the New Standard Encyclopedia, its equality and comparability to the best reference works and its endorsement or approval by a Board of Education; the book agents not being salesmen; the offer being open only for a limited time and to a limited number of people in the particular community, and also concerned the alleged failure to reveal certain delivery charges in addition to the contract price.

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answer of the respondents (other than David Tuttle), testimony and other evidence in support of and in opposition to the complaint introduced before a hearing examiner of the Commission theretofore duly designated by it, the hearing examiner's recommended decision and certain exceptions thereto, respondents' exceptions to certain rulings of the hearing examiner, and briefs and oral arguments of counsel, and the Commission having issued its orders disposing of the exceptions to the recommended decision and to the rulings of the hearing examiner and having made its findings as to the facts and its conclusion that Standard Distributors, Inc., a corporation, and LeRoy S. Bimstein, individually and as an officer of said corporation, have violated the provisions of the Federal Trade Commission Act:

It is ordered, That the respondent, Standard Distributors, Inc., a corporation, and its officers, and the respondent, LeRoy S. Bimstein, individually and as an officer of said corporation, and said respondents' agents, representatives, and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution in commerce, as "commerce" is defined in the Federal Trade Commission Act, of the New Standard Encyclopedia and its supplement, World Progress, edited and published by Standard Education Society, or of any other book or books, do forthwith cease and desist from:

- (1) Representing, directly or by implication:
 - (a) That the New Standard Encyclopedia is a new encyclopedia;
 - (b) That one may obtain a set of the New Standard Encyclopedia or a reduction in the price thereof merely by writing a letter of recommendation therefor or an opinion thereon; or that any of the

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books sold by the respondents may be obtained by any means other than by payment of the full purchase price;

(c) That purchasers of a combination of books pay only for a part thereof;

(d) That the price at which any book or combination of books is offered is less than the price at which it will be offered later, contrary to the fact;

(e) That the quality of the binding, printing, paper or illustrations of any book, as delivered, will be equal in such respects to samples thereof exhibited to prospective purchasers, contrary to the fact;

(2) Exhibiting to prospective purchasers samples of the binding, printing, paper or illustrations of such encyclopedia, supplement or any other book, which are superior in quality to the binding, printing, paper or illustrations of such books as delivered to purchasers thereof.

It is further ordered, That the complaint herein be, and it hereby is, dismissed as to the respondents, David Tuttle and A. J. Noreus.

It is further ordered, That the respondents, Standard Distributors, Inc., and LeRoy S. Bimstein, shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing setting forth in detail the manner and form in which they have complied with this order.

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IN THE MATTER OF

NOEL'S GAY GAMES, INC. ET AL.

COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION
OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914

Docket 5554. Complaint, May 24, 1948—Decision, June 17, 1952

Where a corporation and its president-treasurer, engaged in the manufacture and interstate sale of various kinds of push cards and punchboards, which, bearing explanatory legends or space therefor, were designed for and used only in the sale of merchandise to the consuming public through means of games of chance, under plans whereby purchasers who, by chance, selected certain specified numbers, received articles of merchandise without additional cost at prices which were much less than the normal retail price thereof, others receiving nothing for their money other than the privilege of a push or punch—

Sold and distributed such devices to manufacturers of and dealers in merchandise, including candy, cigarettes, clocks, razors, cosmetics, clothing and other articles, assortments of which, along with said device, made up by dealers, were exposed and sold by the direct or indirect retailer purchasers to the purchasing public in accordance with aforesaid sales plans, involving a game of chance or the sale of a chance to procure articles at much less than their normal retail prices; and,

Thereby supplied to and placed in the hands of others the means of conducting lotteries, games of chance, or gift enterprises in the sale and distribution of their merchandise, contrary to an established public policy of the United States Government, in the violation of which they assisted and participated; With the result that many members of the purchasing public were induced, because of the element of chance involved, to trade or deal with retailers who thus sold or distributed their merchandise; many retailers were induced to deal or trade with manufacturers, wholesalers and jobbers who sold and distributed such assortments; and gambling among members of the public was taught and encouraged, to the injury thereof:

Held, That such acts and practices, under the circumstances set forth, were all to the prejudice and injury of the public, and constituted unfair acts and practices.

Before *Mr. Frank Hier*, hearing examiner.

Mr. J. W. Brookfield, Jr. for the Commission.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Noel's Gay Games, Inc., a corporation, and Guy E. Noel, an individual and officer of Noel's Gay Games, Inc., hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commis-